

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 82 - HB 733

March 4, 2019

SUMMARY OF BILL: Requires a dealer with no physical presence in this state to collect and remit state sales and use tax as if the dealer has a physical presence, granted, either the following conditions apply to such dealer:

- The person's gross revenue from sales made in this state exceeds \$100,000; or
- The person made 200 or more separate sales transactions in this state.

Stipulates that no dealer will be required to collect and remit sales tax for any sales made before January 1, 2020.

Requires any dealer who meets either of the aforementioned criteria to register with Department of Revenue (DOR).

This legislation shall take effect January 1, 2020.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue - \$42,163,600/FY19-20
\$84,327,100/FY20-21 and Subsequent Years**

**Increase Local Revenue - \$15,643,500/FY19-20
\$31,286,900/FY20-21 and Subsequent Years**

Assumptions:

- The DOR identified more than 3,000 entities through the use of internal and third party data that appear to meet the criteria outlined in this legislation with an estimated \$1,087,862,451 in taxable sales for FY16-17.
- The Fiscal Review Committee (FRC) staff does not have access to certain confidential taxpayer information available to the DOR and cannot independently verify its accuracy.
- Tennessee state sales tax collections grew by 4.56 percent in FY17-18. The sales tax collections growth in the first six months of FY18-19 is 5.86 percent. The current FRC staff estimate for sales tax collections growth in FY19-20 is 3.80 percent.
- Assuming that applicable taxable sales experience similar growth, total taxable sales are estimated to be \$1,249,881,398 in FY19-20 ($\$1,087,862,451 \times 1.0456 \times 1.0586 \times 1.038$). This number is assumed to remain constant in subsequent years.

- A dealer with no physical presence in this state is authorized to choose to pay local tax at the rate of 2.25 percent of the sales price on all sales made in this state. It is assumed that dealers will elect to pay the 2.25 percent local sales tax rate.
- The current state sales tax rate is 7.0 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- A recurring increase in state revenue of \$84,327,123 $[(\$1,249,881,398 \times 7.0\%) - (\$1,249,881,398 \times 7.0\% \times 3.617\%)]$.
- A recurring increase in local revenue of \$31,286,906 $[(\$1,249,881,398 \times 2.25\%) + (\$1,249,881,398 \times 7.0\% \times 3.617\%)]$.
- An effective date of January 1, 2020, thus, there will be a half-year impact in the first fiscal year, or FY19-20.
- An increase in state revenue in FY19-20 of \$42,163,562 $(\$84,327,123 \times 50\%)$.
- An increase in local revenue in FY19-20 of \$15,643,453 $(\$31,286,906 \times 50\%)$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/jdb